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CAREER SUMMARY

- 1993 to *Senior Advisor*
 Present Robertson, Stephens & Company, San Francisco, California.
 • Investment banking firm.
- 1993 *Lester Crown Distinguished Faculty Fellow*
 School of Organization and Management, Yale University, New Haven, Connecticut
- Visiting Fellow*
 The Heritage Foundation, Washington, D.C.
- 1989 to *Deputy Secretary of the United States Treasury*
 1992 U.S. Department of the Treasury, Washington, D.C.
- 1986 to *Dean and Professor of Management*
 1988 School of Business Administration
 Emory University, Atlanta, Georgia
- 1978 to *President and Chief Executive Officer*
 1985 G.D. Searle & Company, Skokie, Illinois
 • \$1.4 billion **Fortune** 500 pharmaceutical and consumer products company
 • Also, Executive Vice President and **Chief Operating Officer**; Executive Vice President
- 1975 to *Chairman*
 1977 U.S. Civil Aeronautics Board, Washington, D.C.
- 1970 to *Partner and Member of the Executive Committee*
 1974 Sidley and Austin, Chicago, Illinois and Washington, D.C.
 • One of the largest U.S. law firms
- 1967 to *Under Secretary*
 1969 U.S. Department of Transportation, Washington, D.C.
 • General Counsel (1967)
- 1966 *Special Assistant to the Director*
 Bureau of the Budget, Washington, D.C.
- 1958 to *Partner and Associate*
 1965 Liebman, Williams, Bennett, Baird & Minow, Chicago, Illinois
 • Law firm

STATEMENT OF JOHN E. ROBSON
BEFORE
THE U.S. TRADE DEFICIT REVIEW COMMISSION
NOVEMBER 15, 1999
PALO ALTO, CALIFORNIA

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Madam Chairman, Members of the Commission, thank you for inviting me to participate in your proceedings here in the global epicenter of technology.

My name is John Robson. Currently I am Senior Advisor with the San Francisco-headquartered investment banking firm, Robertson Stephens, which has a preeminent practice and reputation in technology transactions. I am proud to say that Robertson Stephens has helped secure essential financial nourishment for many luminous names in technology such as America Online, Sun Microsystems, Dell Computer, Gilead Sciences and Immunex Corporation. and served as financial advisor in many mergers.

My background includes: public service as Deputy Secretary of the U.S. Treasury, Chairman of the U.S. Civil Aeronautics Board and Under Secretary of the U.S. Department of Transportation; corporate experience as chief executive and chief operating officer of the multinational pharmaceutical company G.D.Searle and member of several corporate boards of directors including Monsanto Company (the bio-agricultural and pharmaceutical firm), the biotechnology company, Chiron, and defense contractor, Northrop Grumman. Also, I was formerly a corporate lawyer and Dean of the School of Business Administration at Emory University.

My comments today rest on two axioms:

First, if the century we are about to conclude has been, as I am convinced it has been, the American Century, this is in significant measure due to our astonishing technological accomplishments.

Second, America's technology enterprises are the crown jewel of trade deficit reduction. This can continue to be the case if there is a level playing field in terms of global market access and competitive opportunity together with the absence of unreasonable regulatory burdens and economic disincentives inflicted by our own government.

So the question becomes how can we perpetuate and maximize the economic growth and trade surplus potential of America's technological supremacy. In my opinion some important answers are found in identifying specific policies and actions that the U.S. Government should pursue and others that it should avoid. And it is to this subject I shall direct my remarks today.

- 1) The United States must be seen and felt as the implacable foe of trade protectionism. Spawned by fear, greed, **political** expediency, corruption or plain wrongheadedness, protectionism is very much alive. Among other things we should:

Begin by declining the hypocritical use of our own governments power to further protectionism here at home;

Fully employ our position of world power and our economic and diplomatic leverage to knock down protectionist barriers, open access to markets and eliminate subtler forms of unfairly gaining competitive advantage such as industry subsidies. It means not taking no for an answer on market freedom. In confronting protectionism we should emulate the late pro football great Walter **Payton** who made sure that anyone who tackled him felt it more than **Payton** did.

Insist on transparency and well-grounded science in regulatory decisions affecting trade. Unfortunately we are seeing a lot more politics than science in many of the rulings which limit the ability of U.S. farmers, ranchers and agricultural biotechnology firms to export perfectly safe food products and seeds to foreign markets.

- 2) The United States can be a powerful agent in fostering the creation and expansion of new markets such as in the former Iron Curtain countries. Here is an inchoate **long-term** opportunity for U.S. technology enterprises. In my view markets grow from the bottom up not the top **down**—by the efforts of the domestic entrepreneurial private sector and private investment, not government bureaucrats. One U.S. action might be to insist that the International Monetary Fund and World Bank materially redirect their missions and resources toward stimulating private enterprise. Our financial contributions to these organizations might even be conditioned on their making these objectives an operating priority.
- 3) The U.S. should continue and intensify its efforts relating to commercial integrity. There is little question that U.S. business frequently finds itself competitively disadvantaged by our adherence to the strictures of the Foreign Corrupt Practices Act while others land business through bribes, kickbacks, skimming schemes and other nefarious practices. The commercial integrity compact entered into by a number of countries is a good first step. But policing mechanisms must be put in place and the political will must be marshaled if these commitments are to have substance.
- 4) The protection of intellectual property has been a long-festering wound for American technology firms endeavoring to do business on a global basis. The U.S. Government, during recent administrations, has been relatively assertive regarding the protection of American intellectual property. But the problem persists and there remain some nations and certainly some unscrupulous operators who are wholly indifferent to the rights of intellectual property owners. In some cases the uncertainties about intellectual property deter U.S. technology firms from entering potentially lucrative markets. So that focus continues on this issue, I recommend that there be an official, widely publicized, periodic survey and global ranking of countries on their observance and enforcement of intellectual property rights,

something like the current government ranking of other countries' anti-drug enforcement.

- 5) Technology is a brains business and the maintenance of American competitiveness and global leadership in technology is in great part dependent on the human capital-in the form of smart, creative entrepreneurial individuals – we attract to our technology enterprises. To that end we should broaden the pool of available talent to the maximum possible extent through imposing minimal barriers to immigration and obtaining work visas for non-U.S. citizens who can bring training and experience which will enable them to add value almost immediately. We must make sure that any brain drain flows to this country.
- 6) There is considerable taxpayer-funded basic research at or under the auspices of the National Institutes for Health, the various National Laboratories, national security agencies and others. So long as the fruits of this basic research are made widely available, it is my opinion that these are appropriate public expenditures and that they should be perpetuated and perhaps increased.
- 7) Let me briefly touch on the difficult issue of balancing, on the one hand, the freedom of U.S. technology firms to freely manufacture and market their products on a global basis and, on the other hand, the protection of legitimate American national security interests. Notwithstanding the worthy objective of sequestering security-sensitive technology and the considerable paperwork and bureaucratic reviews that are required to export technology, the system does not appear to accomplish its objectives. Sometimes export is blocked of technology already available from others outside the U.S. Some U.S. firms have lawfully established offshore arrangements to market non-exportable technology. The enforceability of the current restrictions and the determinations of what technology really must be protected is uneven. And the lobbying and politicking in these cases is unseemly. Let's pull the current system up by the roots, realistically assess what technology in the possession of commercial enterprises must be protected from export (and isn't available elsewhere), what system of regulation is really enforceable, how the process can be managed more efficiently, and then put a new system in place.

We've talked about what the U.S. Government can do to maintain our technology supremacy and thereby offset a trade deficit. What about things our government should not do?

- 1) Foremost, do not adopt any form of industrial policy that picks or favors government-selected winners in technology. Hands off! Follow Mao's advice and let 100 flowers bloom. We're doing just fine without government in the executive suite, the boardroom, or venture capital firms.
- 2) Do not further damage the economic incentives that fuel the private, entrepreneurial capitalistic system. Lower income and capital gains tax rates. Don't, in the name of accounting metaphysics, inflict short sighted, incentive-sapping rules like taxing stock options at grant or eliminating the write-off of in-process research in technology firm mergers. Lighten and rationalize the regulatory burdens.
- 3) While there is little doubt that the relative strength of a country's currency affects its trade and current account balances, government efforts to

manipulate currency exchange levels by currency market intervention or "talking" a currency up or down have failed and often squander foreign exchange reserves or impose budgetary costs. Exchange rates fundamentally reflect the soundness (or unsoundness) of a nation's basic economic policies and political stability. And it is to those matters government should devote its attention, not to trying to outwit the currency traders.

In summary, it is evident that in the millenium ahead economic leadership will be a critical litmus of a nation's power and influence. America enjoys that power and influence today in considerable measure because of its overwhelming technological supremacy. With a level competitive playing field there is no doubt that American technology enterprises will prevail. The U.S. **Government** has vital roles to play in keeping that playing field level, some of which I have mentioned today. This Commission should make sure that our Government clearly understands and takes the steps necessary to successfully execute those roles.

Thank you.